

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Bruce Harter, Ph.D.  
Superintendent  
Brandywine School District  
1000 Pennsylvania Avenue  
Claymont, DE 19703

We have performed the procedures enumerated below, which were agreed to by the State of Delaware Office of Auditor of Accounts, the State of Delaware Department of Education, and Brandywine School District management solely to assist the specified parties in evaluating Brandywine School District's compliance with 29 Del. C. c. 75, the State of Delaware Budget and Accounting Manual, and the Department of Education's School Construction Technical Assistance Manual for the fiscal year ended June 30, 2005. The Brandywine School District management is responsible for compliance with State Laws and procedures relative to the school construction projects administered by the district. This agreed-upon procedures engagement was conducted in accordance with *Government Auditing Standards (2003)*, issued by the Comptroller General of the United States of America and the attestation standards established by the American Institute of Certified Public Accountants that have been incorporated by the *Government Auditing Standards (2003)*. The sufficiency of these procedures is solely the responsibility of those specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Determine if the Brandywine School District complied with the prior fiscal year's recommendations, if applicable, by reviewing these recommendations and verifying through inquiry and observation that the recommendation has been implemented.

There were two recommendations in the prior fiscal year. The current status of those recommendations (Findings #03-02 and #03-03) is attached on pages 3 through 5.

Thomas John Shopa, CPA, CFP, CVA  
Charles H. Elter, CPA, CFP  
Robert S. Smith, CPA  
Ronald E. Derr, CPA  
George G. Fournaris, CPA, CGFM

Donald S. Emenheiser, CPA, CFP, MBA  
Edward T. Gallagher, CPA, CIA  
Dana L. Ketterer, CPA  
Clyde G. Hartman, CPA/ABV, CFE, CVA  
Cameron B. McDonald, CPA, CCIFP  
Jean D. Lloyd, CPA  
Scott G. Sipple, Jr., CPA  
Stuart A. Solomon, CPA (NJ)

Members of:  
American Institute of CPA's  
Private Companies Practice Section  
Delaware Society of CPA's

Certified Public Accountants  
A Professional Association

270 Presidential Drive  
Wilmington, DE 19807  
(302) 656-5500  
(302) 656-8024 Fax

704 Rehoboth Avenue  
Rehoboth Beach, DE 19971  
(302) 227-4872  
(302) 227-4873 Fax

www.mcbrideshopa.com



An Independent Member of the BDO Seidman Alliance

2. Determine that prior year and fiscal year 2005 construction project files and records, as indicated in the attached Schedule of Construction Projects Examined, were accurate and expenditures were made in accordance with the intent of the project scope mandated by the General Assembly, the Department of Education and the Brandywine School District Board of Education by applying the procedures in the Construction Program Checklist prepared by the State of Delaware, Office of Auditor of Accounts.

Our procedures disclosed no instances of noncompliance that resulted in findings and recommendations.

3. Be alert to situations or transactions that could be indicative of fraud, illegal acts, and violations of provisions of contracts or grant agreements, and abuse or misuse of State funds.

Our procedures disclosed no situations or transactions that could be indicative of fraud, illegal acts, and violations of provisions of contract and abuse or misuse of state funds.

The results of our procedures were discussed at an exit conference with David Blowman, Chief Financial Officer, Brandywine School District.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the school district's compliance with 29 Del C. c. 75, the State of Delaware Budget and Accounting Manual, and the Department of Education's School Construction Technical Assistance Manual. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Enclosed is a schedule of Construction Projects Examined for the fiscal year ended June 30, 2005. This schedule is for informational purposes only.

This report is intended for the information and use of the School District management and Board Members, Department of Education, Office of the Governor, Office of Controller General, Office of Attorney General, Office of the Budget, Department of Finance, and Office of Auditor of Accounts and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is a public record and its distribution is not limited.

*McBride, Shogan & Co*

Wilmington, Delaware  
February 17, 2006

### **FINDING 03-02**

We noted during our agreed-upon procedures that unencumbered moneys for six school construction projects had not been reverted to the State as directed by the Del. C., Title 29, Section 7515, which states, "Any sum of money which has been appropriated or allocated to any school district by the State under any school construction bond authorization act which remains unexpended 1 year after pupil occupancy of any school building constructed under the school construction bond authorization act authorizing the construction shall revert to the State and shall be deposited to a special account to be applied against future school construction bond requirements." The six projects are as follows:

<u>School Project</u>	<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Certificate of Occupancy</u>	<u>Unencumbered Fund Balance</u>
Brandywood Elementary	1996	6617	NA	\$ 1,711
Brandywine H.S.	1996	6614	NA	\$ 2,000
Harlan Elementary	1999	6915	8/13/2003	\$58,703
PS DuPont Elementary	1999	0810	N/A	\$ 9,439
Claymont Elementary	1999	6913	N/A	\$ 6,576
Springer Elementary	1999	6914	N/A	\$31,592

### **RECOMMENDATION**

We recommend that school district management adopt a policy whereas unencumbered school construction funds in excess of one fiscal year after occupancy are reverted to the State as required by the Del. C., Title 29, Section 7515.

### **AUDITEE'S RESPONSE 06/30/03**

The district made a request to the State Budget Office last year that the funds be reverted. That reversion never took place. We have made the same request of the State Budget Office this year and have been assured that the reversion will take place.

### **CURRENT STATUS 06/30/04**

Our prior notes indicated that unencumbered funds for six schools needed to be reverted to the State as directed by Del. C., Title 29, Section 7515. Funds for two of the projects have now been completely expended. PS Dupont has been removed from DFMS per the Budget Office, requiring no further action from Brandywine School District Management. The following projects had yet to revert their encumbered funds to the state reversion fund as of June 30, 2004:

<u>School Project</u>	<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Certificate of Occupancy</u>	<u>Unencumbered Fund Balance</u>
Brandywood Elementary	1996	6617	NA	\$ 1,711
Brandywine High School	1996	6614	NA	\$ 2,000
Harlan Elementary	1999	6915	NA	\$ 555

#### **AUDITEE'S RESPONSE 06/30/04**

The Budget Office has assured the district that remaining funds in these accounts will be reverted at the end of this fiscal year.

#### **CURRENT STATUS 06/30/05**

Our prior recommendation indicated that unencumbered funds for three schools needed to be reverted to the State as directed by Del. C. Title 29, Section 7515. The State Budget Office did revert the unencumbered funds for two of the three projects. The following project had yet to revert its encumbered funds to the state reversion fund as of June 30, 2005:

<u>School Project</u>	<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Certificate of Occupancy</u>	<u>Unencumbered Fund Balance</u>
Harlan Elementary	1999	6915	NA	\$ 555

#### **FINDING 03-03**

The 1998 Bond Bill authorized \$115,000 for Harlan Elementary - Planning, with the school district to provide 40% or \$46,000 of the funding for school construction in accordance with the 1998 Bond Bill. We noted during our agreed-upon procedures that the school district could not provide documentation to support that the local share funding was appropriated and expended for school construction.

#### **RECOMMENDATION**

We recommend that school district management reimburse the State of Delaware for the amount of state funds that were expended representing the local share of school construction. This amount represents 40% or \$27,600 of total state funding under the 1998 Bond Bill.

#### **AUDITEE'S RESPONSE 06/30/03**

The district is currently researching with the State Division of Accounting and the State Treasurer's Office to determine if the 40% local match was expended from another source.

#### **CURRENT STATUS 06/30/04**

This matter is still under dispute between the State Division of Accounting and the State Treasurer's Office to determine whether the 40 percent local match was expended from another source.

**AUDITEE'S RESPONSE 06/30/04**

The district is still researching with the State Division of Accounting and the State Treasurer's Office to determine if the 40% local match was expended from another source. Should no evidence of a 40% match be found the district will repay the state \$27,600.

**CURRENT STATUS 06/30/05**

The district management is unable to verify whether the local appropriated funding was expended.

**AUDITEE'S RESPONSE 06/30/05**

The district has found no clear evidence that the 40% match was expended. As such the district will make arrangements to repay the state.

BRANDYWINE SCHOOL DISTRICT  
SCHEDULE OF CONSTRUCTION PROJECTS EXAMINED  
FISCAL YEAR ENDED JUNE 30, 2005

Project Name	Funding Year	Original Funding Amount	De-Authorization Funding	Total Project Funding Life to Date	Expended Current FY	Expended Prior FY	Total Project Expenditures Life to Date	Total Unspent Fund Balance June 30, 2004
Mt. Pleasant HS Renovations	02	\$ 3,092,200	(180,000)	\$ 2,912,200	\$ 31,962	\$ 2,872,008	\$ 2,903,970	\$ 8,230
Brandywood Element	96	280,000	(4,277)	275,723		275,723	275,723	-
Brandywine HS	96	14,918,843	(37,437)	14,881,406		14,881,406	14,881,406	-
Harlan Elementary Planning	98	69,000	-	69,000	-	69,000	69,000	-
Construction	99	933,334	-	933,334	-	932,779	932,779	555
Renovations	02	818,700	-	818,700	-	816,882	816,882	1,818
	03	12,200,000	(800,000)	11,400,000	374,285	10,982,788	11,357,073	42,927
Claymont Elementary	99	1,949,300	-	1,949,300	-	1,949,300	1,949,300	-
Springer Labs	99	345,800	(1,025)	344,775	-	344,775	344,775	-
Mt. Pleasant Elem Renovations	02	900,000	-	900,000	26,853	856,708	883,561	16,439
	03	11,448,600	180,000	11,628,600	3,675,897	7,795,100	11,470,997	157,603
Concord HS Renovations	02	2,488,500	-	2,488,500	34,846	2,443,548	2,478,394	10,106
	03	3,333,300	800,000	4,133,300	1,488,573	2,548,927	4,037,500	95,800
	04	20,071,000	250,000	20,321,000	7,341,202	12,187,553	19,528,755	792,245
Claymont ED. Ctr Renovations	02	482,300		482,300	732	481,568	482,300	-
	03	6,225,800		6,225,800	1,150,123	5,050,980	6,201,103	24,697
Forwood Elementary Renovations	03	500,000	-	500,000	60,968	439,032	500,000	-
	04	9,206,800		9,206,800	5,981,393	115,777	6,097,170	3,109,630

BRANDYWINE SCHOOL DISTRICT  
SCHEDULE OF CONSTRUCTION PROJECTS EXAMINED  
FISCAL YEAR ENDED JUNE 30, 2005

Project Name	Funding Year	Original Funding Amount	De-Authorization Funding	Total Project Funding Life to Date	Expended Current FY	Expended Prior FY	Total Project Expenditures Life to Date	Total Unspent Fund Balance June 30, 2004
Lombardy Elementary Renovations	03	500,000	-	500,000	471,045	28,955	500,000	-
	04	7,102,300		7,102,300	58,664	-	58,664	7,043,636
Talley Middle	04	16,666,700	(250,000)	16,416,700	1,214,552	-	1,214,552	15,202,148
	05	956,800		956,800	-	-	-	956,800
Totals		\$ 114,489,277	\$ (42,739)	\$ 114,446,538	\$ 21,911,095	\$ 65,072,809	\$ 86,983,904	\$ 27,462,634

See Accountant's Report.